

Department of Planning and Budget 2007 Fiscal Impact Statement

1. **Bill Number** HB 3202

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. **Patron** Howell

3. **Committee** Senate Transportation

4. **Title** **Transportation Funding and Other Changes to Transportation Activities and Functions**

5. **Summary/Purpose:** The proposed legislation would modify a number of local and state revenue sources and dedicate them to transportation purposes as well as authorizing \$2 billion in state tax-supported debt for transportation. Further, the legislation also directs the appropriation of general fund revenues to certain transportation purposes. In addition, the proposed legislation would make changes to land use requirements; local responsibility for maintenance and construction of transportation infrastructure; environmental permitting; the composition of the Commonwealth Transportation Board; and the appointment of the Commonwealth Transportation Commissioner.

6. **Fiscal Impact Estimates are:** Preliminary. See Item 8. In total, HB 3202 increases statewide transportation funding by more than \$600 million a year, with more than \$400 million of that increase transferred from general fund revenues with the remainder generated from increases to transportation user fees and taxes.

General Funds Committed to Statewide Transportation Purposes by HB 3202

<i>Fiscal Year</i>	<i>GF Total Amount</i>	<i>Insurance Premiums</i>	<i>Required GF Appropriation</i>	<i>½ GF Surplus</i>
FY 2008	(\$675.8 m)*	(109.8 m)**	(\$566.0 m)	unknown
FY 2009	(\$394.1 m)	(\$144.1 m)	(\$250.0 m)	unknown
FY 2010	(\$400.8 m)	(\$150.8 m)	(\$250.0 m)	unknown
FY 2011	(\$409.7 m)	(\$159.7 m)	(\$250.0 m)	unknown
FY 2012	(\$419.5 m)	(\$169.5 m)	(\$250.0 m)	unknown

*Chapter 3 appropriates \$339 million general fund (GF) for undesignated transportation purposes; with auto insurance premiums already appropriated in FY 2008, the total GF impact in FY 2008 of the legislation is \$675.8 million.

**Chapter 3 appropriates \$109.8 million in auto insurance premiums to the Priority Transportation Fund as a transfer of GF revenue. HB 3202 directs one-third of the insurance premiums to the Priority Transportation Fund as a permanent transportation revenue source.

Total Funds Committed to Statewide Transportation Purposes by HB 3202

<i>Transportation Revenue Impact</i>			
<i>Fiscal Year</i>	<i>Amount</i>	<i>GF Transfers</i>	<i>New Transportation Revenues</i>
FY 2008	\$846.7 million	\$675.8 million	\$170.9 million
FY 2009	\$589.5 million	\$394.1 million	\$195.4 million
FY 2010	\$625.4 million	\$400.8 million	\$224.6 million
FY 2011	\$635.9 million	\$409.7 million	\$226.2 million
FY 2012	\$647.2 million	\$419.5 million	\$227.7 million

7. Budget amendment necessary: Yes. Items 428, 432, 435, 437, 443, 449.10, 453.

8. Fiscal implications: The proposed legislation directs the new revenues and GF appropriations as outlined below.

Proposed Sources	Proposed Increase	FY08	FY09	FY10	FY11	FY12
Abusive Drivers Fee	8+ demerits; varies by conviction	57.5	80.5	108.1	108.1	108.1
Registration Fee -- Passenger Cars and Light Trucks only	\$10	62.4	62.4	62.4	62.4	62.4
Registration Fee for Trailers	\$10	7.4	7.9	8.4	9.0	9.5
Registration Fee for Non passenger vehicles	\$10	20.4	20.4	20.4	20.4	20.4
Violation of Weight Limits	varies	3.4	3.4	3.4	3.4	3.4
Diesel Tax/Road Tax	1.5 cents	19.8	20.9	21.9	22.9	23.8
Insurance Premiums (net)	1/3rd of total (GF)	109.8	144.1	150.8	159.7	169.5
Appropriation \$339 million	GF	339.0	-	-	-	-
Transfer from General Fund	GF		250.0	250.0	250.0	250.0
1/2 General Fund Increased Revenues	GF	227.0		1/2 general fund surplus		
Statewide Total		\$ 846.7	\$ 589.5	\$ 625.4	\$ 635.9	\$ 647.2
New Transportation Revenues		\$ 170.9	\$ 195.4	\$ 224.6	\$ 226.2	\$ 227.7
General Funds in Statewide Total		\$ 675.8	\$ 394.1	\$ 400.8	\$ 409.7	\$ 419.5

The uses of the revenues are as follows:

Proposed Uses		FY08	FY09	FY10	FY11	FY12
Priority Transportation Fund	FRAN debt svc	109.8	125.2	124.9	124.7	72.2
Capital Projects Debt Service Fund		163.0	18.9	25.9	35.0	97.3
Partnership Opportunity Fund	PPTA/DB	339.0	0.0	0.0	0.0	0
Transportation Trust Fund	all modes	234.9	445.4	474.6	476.2	477.7
Aviation	2.4%	5.6	10.7	11.4	11.4	11.5
Ports	4.2%	9.9	18.7	19.9	20.0	20.1
Mass Transit	14.7%	34.5	65.5	69.8	70.0	70.2
Highway Construction	78.7%	184.9	350.6	373.5	374.8	375.9
Statewide Total - Uses		846.7	589.5	625.4	635.9	647.2

Commonwealth Transportation Capital Projects Bond Act

The proposed legislation also includes the issuance of \$2 billion in 9(d) Commonwealth debt. The debt can be issued in \$300 million annual increments and, when fully issued, will have an estimated debt service payment of approximately \$165 million.

The debt service on the new bonds is to be paid by the transferred portion of the insurance premium following the payment of the debt service on Federal Reimbursement Anticipation Notes (FRANS). In addition to the remaining balance of the insurance premiums, the proposed legislation deposits \$163 million of general funds in FY 2008 into the Capital Projects Debt Service Fund.

The proceeds of the bonds are to be distributed as follows: 15.7 percent of the proceeds to meet the 95 percent non-federal share of public transportation capital costs and the remainder to projects on the primary, secondary, and urban systems around the state following the 1986 funding formula allocations for highway construction. Also included is language that allows the Commonwealth Transportation Board to use the bonds to match federal interstate funds and to allocate a limited amount of bonds to interstate projects around the state.

\$300 million bond sale

15.7% of authorized debt to the 95% Non-Federal Transit Capital - \$47 million

Remainder to Highways	Primary	Secondary	Urban	Total per District
Bristol	\$ 10,749,409	\$ 5,791,614	\$ 2,040,117	\$ 18,581,140
Culpeper	8,729,574	5,217,867	1,768,063	15,715,504
Fredericksburg	10,216,429	6,618,621	589,428	17,424,479
Hampton Roads	9,099,526	4,193,081	39,994,941	53,287,548
Lynchburg	8,938,750	5,432,923	3,695,827	18,067,500
Northern Virginia	18,280,614	22,420,644	8,317,919	49,019,177
Richmond	15,604,903	13,148,003	7,838,008	36,590,913
Salem	10,938,067	7,321,374	6,814,265	25,073,706
Staunton	8,642,729	5,755,873	4,841,431	19,240,033
Total	\$ 101,200,000	\$ 75,900,000	\$ 75,900,000	\$ 253,000,000

Northern Virginia Transportation Authority

The proposed legislation proposes a number of fees and taxes that may be adopted by local governments in the Northern Virginia Transportation Authority (the Authority) and paid to the Authority for specified uses. The proposed legislation, if all revenues were enacted on January 1, 2008, would generate \$205.7 million in FY 2008 and \$423.6 million in FY 2009.

The taxes and fees that localities are authorized to impose are:

Commercial Real Estate tax – 25 cents per \$100
Grantor's Tax – 40 cents per \$100
Motor Vehicle Rental Tax – 2 percent
Original Driver's License Fee- \$100

The Authority is also authorized to collect and impose tolls.

The proposed legislation has no required start date for imposition of new taxes and fees but the locality cannot impose them before July 1, 2008. If a locality does not impose ALL the revenues, the locality may not determine projects and services to be funded nor receive an allocation from the Authority.

A condition of receiving funding from the Authority for urban and secondary roads is that the locality must assume responsibility for construction.

The uses of the Authority revenues are:

- Debt service (no limit other than funding generated by sources)
- WMATA - \$50 million
- VRE - \$30 – supporting VRE service
- \$27 million to offset the financial impact on the Route 28 Highway Transportation Improvement District Commission and the Dulles Rail Transportation Improvement District Commission
- Dulles Metrorail Operating with Phase II construction - \$20 million
- Any remainder – 45% to urban/secondary construction; and local option and authority allocations

Hampton Roads Transportation Authority

The proposed legislation creates the Hampton Roads Transportation Authority, which is to be comprised of local and state elected officials as well as other state representatives. The Authority has broad authority including the authority to issue debt, impose and collect tolls, administer contracts, and hire staff. The Authority must be in place by January 1, 2008 and the legislation requires affirmative action by six localities to create. The localities must take action by December 31, 2007 to impose the taxes and fees. The legislation also includes provisions to incorporate the Chesapeake Bay Bridge Tunnel Commission into the Authority in the future.

The proposed legislation, if all revenues were enacted on January 1, 2008, would generate \$82.1 million in FY 2008 and \$181.4 million in FY 2009. The taxes and fees that localities are authorized to impose are:

Commercial Real Estate Tax – 15 cents per \$100
Grantor's Tax – 30 cents per \$100
Motor Vehicle Rental Tax – 2 percent
Driver's License Fee - \$20
First Time Vehicle Registration – 1 percent
Local Vehicle Registration Fee - \$10
Local Vehicle Inspection Fee - \$10
Transient Occupancy Tax - \$5

The uses of the revenue are for Transportation Projects in the Regional 2030 Plan. Projects to be funded in the first phase are Route 460, I-64, Midtown Tunnel/MLK Extension, Southeastern Parkway/Dominion Blvd, I-664 widening in Newport News, I-664 widening in Southside, and the I-664 Tunnel widening. Second phase projects include I-64 to Intermodal Connector; I-564; and the Craney Island Connector.

Other Components of the Legislation

Land Use

The proposed legislation includes a statewide requirement for counties or homeowners' associations to begin to maintain subdivision streets and other local roads. The Commonwealth can no longer accept subdivision streets into secondary system meaning that VDOT will not maintain the road.

For counties with 20 percent population growth between census counts or 50,000 in population, a requirement is included that they must amend their comprehensive plan to include urban development areas (high density development) by July 1, 2011. These localities cannot deny rezoning applications or limit development outside of the new urban development area based solely on the development's location outside the urban development area.

Separately from amending the comprehensive plan for certain localities, certain counties with populations over 90,000 (Fairfax, Prince William, Chesterfield, Loudoun, Stafford, Spotsylvania) can create urban transportation service districts. (While meeting the 90,000 population requirement, Arlington and Henrico County are specifically excluded from this authority.) These localities can impose impact fees in certain areas of the county if action is taken by July 1, 2009. These localities can deny rezoning applications based on inadequate transportation infrastructure (only localities authorized to do so) and they must maintain roads within the urban service district but VDOT continues to maintain others. The counties would be paid the same per lane mile maintenance rate as VDOT pays to cities and certain towns for maintaining streets on the urban system.

If all eligible localities create countywide urban transportation service districts, an additional \$62 million would have to be budgeted off the top of the highway construction program because these localities are authorized higher maintenance payments than what VDOT currently spends.

While excluding them from the urban transportation service district, the proposed legislation would allow the counties of Arlington and Henrico to be paid the same urban lane mile maintenance rate. Henrico County would gain an additional an estimated \$12 million in additional maintenance payments for its secondary road program from the Commonwealth Transportation Board. Arlington County, which also maintains its own secondary system, would have its funding reduced by an estimated \$2.5 million, since the county currently receives a lane mile rate higher than is currently paid to cities and towns.

Accountability and Performance

The proposed legislation also establishes the Joint Commission on Transportation Accountability which has the authority to hire staff and consultants and conduct evaluations and studies of transportation activities.

In addition, the proposed legislation establishes a Joint Subcommittee appointed by Speaker and Senate Majority Leader to identify ways to cut expenses in the operation of state government.

The proposed legislation also changes the composition of the Commonwealth Transportation Board so that the General Assembly elects five at-large members out of the 17 members. The Governor would continue to appoint the members representing the nine construction districts.

In addition, the proposed legislation requires that the Board will also select, with the consent of the Governor, the Commonwealth Transportation Commissioner for a four-year term.

The requirements of the Statewide Transportation Plan are also amended to incorporate quantifiable and achievable goals and those goals are to be used in CTB selection of projects. The Hampton Roads Transportation Authority also must develop plans with performance measures.

Administrative/Implementation Concerns

The proposed legislation creates a number of new entities and proposes different responsibilities for localities regarding responsibility for maintenance and construction of secondary roads and subdivision streets. A significant public education campaign will be required to ensure that citizens are aware of who is responsible for road maintenance and construction under the proposed legislation.

A number of organizations will be required to collect and remit the new regional taxes and fees as outlined below. No provisions have been included in the legislation for the administrative costs of implementing the regional fees and taxes.

Proposed Source	Collected By	Imposition
Abusive Drivers Fee	Courts and DMV	Statewide
Registration Fees	DMV	Statewide
Penalty for Violation of Weight Limits	DMV	Statewide
Diesel Fuel Tax and Road Tax	DMV	Statewide
1/3 of Insurance Premiums Tax	SCC	Statewide
Original Driver's License Fee	DMV	NOVA/Hampton Roads
Grantor's Tax	localities	NOVA/Hampton Roads
Motor Vehicle Rental Tax	DMV	NOVA/Hampton Roads
Commercial Real Estate assessment	localities	NOVA/Hampton Roads
Driver's License Fee	DMV	Hampton Roads
Local Vehicle Registration Fee	DMV	Hampton Roads
Vehicle Inspection Fee	Safety Inspection Station	Hampton Roads

9. Specific agency or political subdivisions affected: All counties, Department of Taxation, Department of Accounts, Department of Transportation, Department of Rail and Public Transportation, Department of Aviation, Virginia Port Authority, Northern Virginia Transportation Authority, Commonwealth Transportation Board

10. Technical amendment necessary: A number of technical amendments are required to the legislation.

11. Other comments: None.

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cc: Secretary of Finance

Secretary of Transportation